Prince Edward Island

2010 Budget

Securing the Future

Presented to
The Members of the Legislative Assembly of Prince Edward Island

by

Honourable Wesley J. Sheridan

Minister of Finance and Municipal Affairs
and
Chair of Treasury Board

April 23, 2010

The full texts of the Budget Address, Estimates of Revenue and Expenditure and supporting schedules for 2010-2011 and previous years are available on the Province of Prince Edward Island's website:

http://www.gov.pe.ca/budget

PRINCE EDWARD ISLAND
2010 BUDGET

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THE BUDGET ADDRESS

Investing in Islanders

Madame Speaker, I am pleased to deliver a budget that secures our fundamental commitment to building better education and health systems for all Islanders – while taking decisive action to restore fiscal balance.

In the area of education, we are making a historic investment in moving kindergarten into the school system – PEI's most significant educational initiative in over a generation. We will complement that investment with a strong action plan to help our valued early childhood sector transition to a new and more sustainable future ... with more resources for our elementary-secondary system ... and with enhanced and expanded access to post-secondary learning.

As we restructure our health system, we remain committed to ensuring that Islanders have improved access to health services in the appropriate care setting and are looking to new and innovative models of care. At the same time, our Government recognizes that expanding services in key areas of health care and improving access to medications are also the benchmarks against which Islanders will assess the quality of the health system.

Investing in Our Priorities: A Summary

Madame Speaker, today's budget marks a historic turning point in Government's financial accountability to Islanders.

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As everyone knows, the Province has embraced the concept of fixed election dates. This will allow Government to make audited financial statements available to Islanders before the next provincial election, in October 2011.

In the past, Islanders were not offered this opportunity to test Government's financial plans as they prepared to make their fundamentally important decisions at the ballot box – and unpleasant surprises were often the result.

Madame Speaker, this Budget will be tested by the Auditor General before the next election – and I am confident the plans I am outlining today will meet the terms of this Government's commitment to accountability and openness.

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This commitment requires discipline. But, we are also mindful of the need to make appropriate investments in Islanders.

Madame Speaker, I would like to briefly highlight some of the significant items included in our plan for 2010-2011:

- An additional $13.6 million will be invested in early learning and education to build opportunities for Island children.

- As kindergarten moves into the public school system as a full-day program, our investment in that crucially important sector will rise from $3.2 million to $10 million this fiscal year.

- After too many years of neglect, new funding of $2.5 million plus additional kindergarten-related savings will be invested in the Early Childhood Sector, which will help to maintain child care spaces and improve services to our youngest Islanders.

- In keeping with Government's commitment to the safety of our children, an additional 51 school buses will be purchased – equipped with safety seats for new kindergarten students, like the 100 buses already purchased over the past two years.

- Our total commitment to post-secondary education will increase by over $9 million this fiscal year – from $80 million to more than $89 million.

- Health care investments will rise by $24 million – reflecting Government's understanding that this system must continually modernize and improve.

- Spending on home care will increase to a total of $13 million.

- Funding for our drug programs will increase by over $1.3 million – and forecast savings of $1.2 million from new generic drugs will be reinvested in the program.

- A further $938,000 will be invested in the new provincial Stroke Care Model, increasing our funding to an annual total of $2.1 million.

- In addition to new emergency room staff at the Queen Elizabeth Hospital, additional funding of $400,000 will be provided to improve ground ambulance services and for a new community paramedicine pilot project.

- Government is continuing its plan to attract new physicians to our Province, increasing investment in the highly successful Family Medical Residency Program by over $600,000 to a total of $1.5 million.

- Working with the Federal Government, nearly $10 million in new funding will be provided in agriculture over the next four years, to assist producers to reduce input costs, introduce new crops and enhance competitiveness.

- In recognition of their 100th Anniversary, $65,000 will be provided to the Women's Institute – which will help that invaluable organization in recruitment and promotional efforts.

- Plans to encourage rationalization within the lobster industry will continue, as demonstrated by the $3 million already invested in sustainability measures.

- Through the Office of Energy Efficiency, Government will invest $1.5 million in programs to assist Islanders, increase the energy efficiency of their homes.

- Social supports for Islanders in need will increase, particularly through a $270,600 increase in shelter allowances.

Madame Speaker, as we continue to invest in priority areas, our Government is also mindful of the fiscal challenges we face.

To this end, we are on track with the 2009-2010 Budget approved in this House last Spring. Our forecast deficit for last year is expected to be $84.2 million, an improvement of $1.1 million from the deficit budgeted. This is a modest improvement, but a much better result than in most other jurisdictions across the country that struggle to meet their budget targets.

Madame Speaker, this Budget will result in a deficit for the 2010-2011 year of $54.9 million – an improvement of over $30 million from last year's Budget. This represents a significant positive shift in the trajectory of the Province's finances.

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There is no magic in what we are accomplishing, Madame Speaker. We are holding our increase in expenditures to 1.95 percent – less than half the rate of our projected 4.2 percent increase in revenues. Almost all of the increase in expenditures is being committed to improve health care and education for Islanders.

Four-Year Fiscal Plan

Madame Speaker, as we move forward over the next four years, we will continue the approach that we have achieved in this Budget. We will ensure that the pace of growth in our expenditures is held below the rate of increase in our revenues.

This goal will be achieved through careful planning and a focus on our priorities of health and education.

Government needs to provide programs effectively, making sure every dollar is spent wisely. The implementation of the fiscal plan will require the ongoing support of our public service as programs are streamlined.

Madame Speaker, we have deliberately chosen to achieve a balanced budget over a term of four years. This is to ensure the changes we are implementing are not drastic and will provide lasting improvements which continue into the future.

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Securing Our Children's Education

Madame Speaker, our Government's commitment to education is unwavering, with this Budget providing an additional $13.6 million to the Department of Education and Early Childhood Development – a 6.6 percent increase – to enhance all aspects of early childhood learning and our public school system.

Public Kindergarten

Our largest single new investment this year, the most far-reaching educational measure in decades, will bring kindergarten into the public school system. This September, over 1,400 children will begin a full-day kindergarten program in school. This full-day program will put our five-year-olds not just on par but at the forefront of early learning across Canada. Only three other provinces – Nova Scotia, New Brunswick, and Quebec – now offer full-day kindergarten, and Ontario and British Columbia are phasing in full-day over time.

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In this Budget year, we will more than triple our investment in kindergarten from $3.2 million, to $10 million. This represents new investment of $6.8 million.

This funding includes $7.3 million for the kindergarten teachers, specialist teachers, educational assistants, bus drivers, and other personnel who are at the heart of our children's learning. As well, over $1.4 million is being invested in start-up costs – including equipment, furniture and classroom renovations to support play-based learning ... as well as assistive devices for kindergarten children with special needs, and information and communication technologies.

In addition, under our Capital Budget, we are investing strongly in kindergarten-related space and buses to ensure that our youngest students are safe, comfortable, and provided with an enriched, welcoming learning environment. Over the past two years, we have purchased 100 new school buses at a cost of $7.9 million, and in the coming year, we will purchase a further 51 buses at $4.1 million, for a total commitment of $12 million in 151 new buses, all equipped with safety seats for our youngest students.

Almost $5 million in capital spending will be invested to ensure that our kindergarten children have the amount and quality of space that they need for their play-based program.

Our Early Childhood Sector

Madame Speaker, if we are to gain the full benefit of our investment in kindergarten, we know that we must also build a strong and sustainable early childhood sector.

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Over the years, our community-based early childhood sector has delivered a high-quality part-day kindergarten program to our children – and has provided Island families with outstanding access to early childhood education and care for younger children.

We recognize that kindergarten was closely integrated with other elements of the child care system – and that its move to the school system will have major impacts on many early childhood centres. Left unaddressed, these impacts increase the risk of reduced access to child care for Island families, especially in rural Prince Edward Island.

We want to ensure that in September and beyond, Island children and families will have continued access to licensed early childhood spaces throughout the province. To achieve this goal, we are making a major investment of $2.5 million in new funding this year in an Early Learning Action Plan to support the transition. Further funding will be provided under our labour market programs to meet the sector's needs for training and labour market adjustment – building on the $650,000 already provided for accelerated training this past year.

"...we are making a major investment of $2.5 million in new funding this year in an Early Learning Action Plan ..."

As well, the move of kindergarten children to a full-day program will free up savings of more than $500,000 in existing early childhood programs – and those savings will be retained within the early childhood system to better meet the needs of our preschool children. This represents a total commitment of over

$3 million in new and reinvested funding to the sector – the largest one-time increase in funding for preschool early learning and care ever made in Prince Edward Island.

To gain the maximum benefit from this investment, we must also continue to build and enhance our public school system.

Strengthening Public Education

In every Budget during our term of office, we have expressed our commitment to education. In our 2007 Budget, we provided $3 million to enhance student achievement, and we followed it with a further $2 million in our 2008 Budget. Last fall, our Capital Budget committed $52 million for next five years to build the space needed for our children's learning. We have increased teaching positions throughout this time of declining enrolment, taking PEI to one of the best student-teacher ratios in Canada – and we are committed to maintaining that model for the coming year.

Smaller class sizes and specialist resources are both critical to meeting the diverse needs and fulfilling the potential of our children – and we have delivered on both fronts. In 2007, PEI had 1,493 teachers for 20,800 students. Next September, our school system will have 1,668 teachers for an estimated 20,900 students. This is a 12 percent increase in teachers – and includes forty teachers over and above the number called for by the staffing model. These forty additional teachers represent an investment of over $2 million from next September to March 2011 ... and these resources will be focused on areas that best support our students' learning achievement. In addition, we have 314 educational assistants supporting students with a range of special needs – up 22 percent from 257 in 2007.

"Next September, our school system will have 1,668 teachers for an estimated 20,900 students. This is a 12 percent increase in teachers ... "

Madame Speaker, technology is an important aid to learning, and over the past two years, 2,500 new computers have been added to our school system, significantly renewing the stock. In addition,

500 LCD projectors have been installed in classrooms across the Province, allowing teachers and students to present in multi-media format.

In the coming year, $525,000 in funding will be used to install electronic white boards in every high school classroom in the Province, and to provide students with access to the new Microsoft Office suite of programs. These latest technologies will better prepare them for further learning and the workforce after high school completion. As well, $400,000 will be allocated to continue implementation of a computerized school library system.

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We are also continuing to implement our enhanced, standardized trades curriculum as called for by the Trades Strategy. Next year, students in all English high schools will be able to enroll in skilled trades courses in Automotive, Welding, and Carpentry, while students at Evangeline will have access to Automotive and Carpentry. This year, $130,000 will be spent to continue trades curriculum development and provide program supports, and over the next five years, $850,000 in capital spending has been allocated for further trades upgrades.

Improving Health Care

Health care has been at the core of this Government's priorities from our first day in office. This year, we will increase overall health spending by $24 million. Including transfers related to the restructuring of the health system, this will bring our total investment in health services to $508 million.

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We have placed priority on enhancing our health services over the past three years – and to fulfill that priority over the long term, we must show leadership. We must face the challenges and undertake the significant changes needed to make our health system sustainable and to create One Island Health System for our One Island Community.

Towards One Island Health System

A major initiative is underway to move to a single, integrated system which provides care in the right place, by the right people, to better meet the needs of Islanders. Other provinces are also moving in this direction.

This transformation will take time to achieve – but we have taken a number of important steps already. Last year, we increased funding for home care by $2.2 million, and introduced a pilot palliative home care drug program, demonstrating the effectiveness of service delivery outside our traditional institutions. As well, we provided $1.6 million to develop and implement a new model of care and to improve the overall utilization of our health resources. Taken together, these investments are already delivering results and demonstrating the benefits of our strategic new direction for the health care system.

This Budget continues funding for these important initiatives. This fiscal year, our funding for home care will increase again, reaching a total of $13 million – up over 60 percent from the $8 million budget at the time we came to office. These strong year-over-year increases recognize the key role that home care plays in helping us move toward a sustainable system that provides health care to Islanders in the comfort of their homes.

"...our funding for home care will increase again, reaching a total of $13 million – up over 60 percent from the $8 million budget at the time we came to office."

In the area of primary health care, our Government is moving forward with the creation of five Primary Care Networks throughout the Province. This model will ensure that no Islander is more than a thirty-kilometer radius from a family physician and a wide range of primary health services and programs. This fiscal year, our Government will invest $500,000 to further develop and implement the Primary Care Networks.

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This fiscal year, we will implement a new governance model to provide clear leadership and accountability to the health system, as recommended in the report of the Health Governance Advisory

Council released last November. Policy leadership, strategic direction and oversight of the health system will be provided by a restructured Department of Health and Wellness. Health services will be delivered by Health PEI, a new and separate entity led by a strong board of directors with outstanding expertise and links to communities throughout our Island. This Budget is presented based on this new model.

In addition to these system-wide measures, our Government is also expanding and enhancing health services to Islanders to meet new and intensifying needs.

Madame Speaker, our Government remains deeply committed to improving the access that Islanders have to much-needed medications. Today, I am pleased to announce that spending on drugs will increase by $1.3 million this fiscal year. This increase will be used to add new medications to our formulary, and to implement a 25 percent reduction in the seniors co-pay, effective September 1. In addition, a forecast $1.2 million will fund new medications, as savings result from availability and use of new generic drugs. Since taking office in 2007, our Government has increased spending on drugs by 45 percent, to a total of $34.4 million this fiscal year.

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At the same time, our internal work suggests that a detailed and comprehensive overview of our drug program is essential as we seek to improve issues of access and equity. This year, our Government will build on this work by consulting widely with health professionals, health stakeholders and others to gain their input on a new province-wide program.

As well, we are investing to improve the accessibility and quality of care for several major diseases that take a large and growing toll on Islanders and their families.

Cancer is an illness that touches the lives of all Islanders directly or through their loved ones. Radiation therapy is one of the most effective cancer treatments available. Currently, the PEI Cancer Treatment Centre delivers over 7,300 treatments a year and sees some 400 new patients annually. In 2009, we purchased a second linear accelerator and upgraded the existing unit at a total cost of $4.1 million. This year, we are committing operational funding of $879,000, including nine new positions – enabling Islanders to be treated sooner and with no worries of treatment plan interruptions.

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In addition, our Government is committing $353,200 to the Cancer Staging Initiative. Through this national partnership, all provinces are working to improve data collection and analysis with regard to the severity of cancers at the time of diagnosis.

Stroke is another chronic disease that threatens a large and growing number of Islanders with death and long-term disability. Organized stroke care can lead to significantly better outcomes, and in 2009 our Government committed to the investments needed to implement this model. Last year, our Government provided over $1.2 million to begin implementing our new Stroke Care Model, and this year, Government will increase funding by $938,000, bringing our annual investment to $2.1 million.

Our rising rates of diabetes and heart disease in our aging population contribute to kidney failure, leading to growing demand for hemodialysis services. Last year, we committed $248,000 to enable more Islanders to be treated here in PEI, rather than having to travel out of province for service – and this year, we are doubling our commitment with funding of an additional $250,000 to address hemodialysis needs in Queens and Kings Counties.

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The Queen Elizabeth Hospital provides a range of advanced and specialized care to Islanders from across the Province. Government has committed to the $60 million capital project to

expand and enhance the Queen Elizabeth Hospital. Phase One of this project, the Emergency Department Expansion, is scheduled to be completed by this summer. In this fiscal year, funding will be provided to add staff to the expanded department to more-fully meet Islanders' needs for emergency care.

Madame Speaker, our Government remains committed to continuing the progress we have made in enhancing ambulance service to Islanders. To this end, this Budget contains two key initiatives totalling $400,000 that will enhance services in rural Prince Edward Island. First, we intend to make permanent an additional ambulance in the New Glasgow area that was operated as a pilot project last year and proved highly beneficial, particularly during the tourism season.

Second, we will work with Island EMS to explore a community para-medicine pilot project in the Tignish area. Such initiatives have proven successful in other jurisdictions that have sought to better utilize highly-trained paramedics to enhance primary care health services provided in the community.

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Our Government also places priority on reducing wait times, and we have expressed that commitment in memoranda of agreement with the Federal Government. In support of that goal, last year we provided $111,000 to launch the Tele-Radiology Project – and this year we will double that funding to a total of $223,000, enabling more X-rays to be read on a more-timely basis, and ensuring continuity of services.

As part of the realignment of hospital care in Western PEI, our Government invested $270,000 to expand space and staffing for the delivery of mental health and addictions services and the Diabetes Program at the Community Hospital in O'Leary. This year, we are committing a further $120,200 to fully-fund this initiative. Through these funds, five new health care positions have been added to the West Prince area.

Last year, almost 2,200 Islanders received specialized treatment and care in Nova Scotia and New Brunswick for complex illnesses and injuries. This year, our Government will increase funding for out-of-province hospital services by $2.2 million to ensure Islanders have continued access to these vital services – taking our total funding in this area to $32.7 million.

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Government remains committed to the recruitment and retention of our valued health care providers. This year, we are making further investments in support of this commitment. We are adding two seats at Memorial University's Medical School, taking our total to twelve seats. As well, $608,000 will be provided to our Residency Training Program, bringing the total investment to $1.5 million, and the total number of residents from five to ten.

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Government also recognizes the importance of having new specialist physicians. This Budget commits $736,300 this fiscal year to increase our specialist capacity in internal medicine, cancer treatment, and vascular surgery.

Addictions to substances and to gaming threaten the well-being of Island youth and families. Our Government will continue to build a variety of collaborative initiatives at the community level to support youth and families dealing with youth substance abuse issues. This year, our Government is committing a further $204,700 to fully fund the Youth Substance Use and Addiction Strategy at its annual level of $900,000.

This fiscal year, our Government will invest $300,000 in our Responsible Gaming Strategy. The funding will enhance treatment services for gambling addiction on PEI in three key areas – new, 24-hour support for gambling problems, group information programs, and expert support services.

Healthy living is also a priority for our Government, and in 2010-2011, we will launch a province-wide Physical Activity and

Healthy Eating Campaign in partnership with the Public Health Agency of Canada and Recreation PEI. With funding of $126,500, this initiative will support and assist Islanders in adding more physical activity to their schedules and choosing healthier foods more often.

Recreation leadership at the local level has been the driving force behind many successful recreation, sport, and physical activity programs across the Province. To enhance access by Islanders to quality recreation and sport programs and services, $195,000 will be available for Rural Recreation Leadership projects, including continued support for current delivery models such as the Sport Councils in West Prince and Eastern Kings as well as a funding allocation for new projects and initiatives

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Supporting Innovation and Prosperity

From our first day, our Government has recognized that education is the foundation of economic development and one of the most important components of public health and social progress.

In support of those goals, our Government has increased spending on higher education by $27.5 million since coming to office – taking it from less than $62 million in the 2006-07 budget year, to over $89 million in this Budget year. These investments have increased operating funding by 39 percent at the University of Prince Edward Island ... and 38 percent at Holland College. This year, total funding for post-secondary education will increase by $9.2 million, taking it from $80.1 million last year to $89.3 million in the coming year.

One of our Government's proudest initiatives has been the George Coles Bursary, which extends $2,000 in support for Prince Edward Island students in their first year at an Island post-secondary institution. This program was established in 2008 and has provided $3.9 million to nearly 2,000 Island students during its first two years. To continue providing this needed support for

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access to post-secondary learning, our Government has allocated $2 million to fund the George Coles Bursary in the coming year.

In 2010, $6 million will be invested in Phase Two of the Holland College expansion, to significantly increase rural access to post-secondary programs. This funding will establish a West Prince Regional Training Centre in Alberton and expand offerings at delivery sites in Tignish and O'Leary – providing residents of West Prince with 100 new post-secondary training seats.

"In 2010, $6 million will be invested in Phase Two of the Holland College expansion, to significantly increase rural access to post-secondary programs."

On Prince Edward Island, we know that our people are this province's single most valuable resource. To build this resource, the Population Secretariat is working to help new Islanders and their families build lives here in our province – and we are developing a suite of new programs to meet changing Federal immigration guidelines and regulations.

Since 2007, the Population Secretariat has nearly doubled support for language training for newcomers, providing over $1 million in funding last year. As well, to help new Islanders get the best possible start and find the support network they need on Prince Edward Island, Government has more than tripled its support for the Association for Newcomers to Canada – increasing funding from $175,000 in 2007-08 to $650,000 for 2010-2011.

"...Government has more than tripled its support for the Association for Newcomers to Canada – increasing funding from $175,000 in 2007-08 to $650,000 for 2010-2011."

Last year, our Government assumed responsibility for delivery of labour market programming in PEI. This year, funding of $35 million will be provided to support over 4,000 Islanders to gain access to employment and build their skills.

In April 2008, our Government launched a long-term plan for the economy of this province with the Island Prosperity Strategy. Since the launch of the strategy, our Government has invested over $50 million in people, in innovation programs, and in strategic infrastructure such as the BioCommons and the enhancements to UPEI and Holland College.

To date, the above investments have helped to maintain and support over 3,700 jobs in aerospace, bioscience, information technology and renewable energy and importantly, added 436 new jobs to these sectors. Madame Speaker, this represents an 11 percent increase in the knowledge economy workforce – an incredible feat by these sectors considering the very difficult economic times. Over 200 of these positions were created by existing PEI companies in the priority sectors, while 229 were created by new investments into PEI. New companies that have established in PEI in the last fiscal year include Virtual Agent, Natures Crops International, Phyterra Yeast, Customer One, and RMDDx. PEI-based company expansions include Testori, ScreenScape, Deltaware, Cogsdale, and Bight.

"...this represents an 11 percent increase in the knowledge economy workforce ..."

Biosciences are a key focus of the *Island Prosperity Strategy* – recognizing that PEI is already strong in this area and that biosciences can add enormous value to our primary resources. Through the Strategy, our Government is supporting a growing number of companies that build on and extend Prince Edward Island's reputation for food and bioproducts of outstanding quality. Madame Speaker, I would like to provide you with two examples of our leading innovators within this sector.

Natures Crops International (NCI) grows and processes premium oils for several advanced markets, including pharmaceuticals, nutraceuticals, medical foods, and personal care products. As part of the NCI operation on PEI, a new $8 million bio-refinery is being built and the company hopes to grow to at least 19 employees over the first three years of operations. Over 1,000 acres were farmed last year and more will be planted this year, with new crops being tested for production.

Another example of a highly innovative Island company is Island Abbey Foods. This company is making record inroads in North American supermarkets and gourmet food retailing with its unique pure honey products. The company now employs 30 people, and is rapidly expanding its product line – growing the

market for PEI's honey and blueberry farmers.

Our aerospace sector continues to grow and develop, now generating over $350 million annually in revenue and employing over 1,000 people, primarily in Slemon Park. The sector posted a 12 percent increase in exports last year during the worst economic recession of our times – showing the promise that it holds for PEI in the years ahead.

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Securing our Primary Industries

Agriculture in Transition

Madame Speaker, we know that our primary sectors such as agriculture are economic drivers in the province and we must continue to support these sectors through strategic investments.

To this end, Government has listened to industry and has responded quickly through support for energy efficiency audits and establishment of on-farm renewable energy systems. By working in cooperation with the Federal Government, close to $10 million in new funding is being provided to our primary producers over the next four years – enabling them to reduce input costs, produce novel crops and become more competitive. This year, $1,250,000 will be provided to launch this new initiative.

In *Growing the Island Way*, access to capital for producers was noted as an industry priority. As such, beginning in 2009, the Department of Agriculture made available $250,000 for interest relief assistance to Island producers participating in the Federal Advance Payment Program. Due to the overwhelming success of the program, I am pleased to announce that this assistance will continue for the 2010 year.

For many years, we have continued to enhance our Federal/Provincial AgriInsurance Program coverage for both crops and livestock. I am pleased to say that since 2007, nutrient management planning has seen a significant increase as a result of provincial discounts offered to AgriInsurance clients. To support greater producer participation in the program, we will pleased to commit an additional $1 million to the AgriInsurance Program.

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Our support for the Atlantic Beef Products facility has been unwavering. We continue to invest funding that has enabled the plant to expand and diversify their cut lines. We recognize that the plant is a valuable component of a sustainable beef industry in our province.

Last year, our Government partnered with the PEI Potato Board on a new and successful marketing initiative, *Pack Your Appetite*. In the coming year, funding of $250,000 will be provided to enhance marketing initiatives such as these to promote our high quality Island foods.

Madame Speaker, our Government also remains committed to delivery of the Alternative Land Use Services program that recognizes farmers for the contributions they make to reducing soil erosion, improving biodiversity and protecting water quality. In 2010-2011, funding of $1 million will be provided to ALUS, with half going to complete projects already underway and the remaining half available to support new projects.

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I am pleased to say that our Government launched several programs in 2009 under the *Growing Forward* agreement with the Federal Government. Funding of $5 million in this fiscal year will assist producers to strengthen their operations in key areas such as food safety, traceability, biosecurity, business development, research and innovation. These programs are helping producers become more competitive and innovative while responding to society's priorities.

Madame Speaker, the well-being of our farms and rural communities rely heavily on the commitment of community organizations to our Island way of life. One of the organizations that so clearly symbolizes that commitment is the Women's Institute. To this end, our Government is pleased to provide $65,000 funding to the Women's Institute to support preparations for celebration of its 100th anniversary in 2013. This funding will assist with the preparation of a Centennial book and with planning for events to commemorate a century of contributions by the Women's Institute to Prince Edward Island. As well, it will support a recruitment effort to ensure that this invaluable rural organization continues to support our farm communities into the future.

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Fisheries and Aquaculture: An Action Plan

Government recognizes the importance of fisheries and aquaculture to the Prince Edward Island economy and the health of our many rural and coastal communities.

Lobster is the backbone of the fishery and last year Government announced a Five Point Lobster Plan to assist the sector during the difficult times associated with escalating costs to fish, and the downturn in demand in our key markets due to the recession.

A key element of the Five Point Lobster Plan was the re-opening of the Low Interest Loan Program to allow fishers to consolidate fishing-related debt at an interest rate of 4 percent through the PEI Lending Agency and the Department. This program was founded in 2007 in keeping with this Government's commitment to the lobster fishery – and its re-opening in 2009 has increased its reach to additional fishers. In total, to date, the program is assisting almost 200 fishers, reducing their interest costs by an estimated $7.5 million over the life of the program.

"...Low Interest Loan Program ...is assisting almost 200 fishers, reducing their interest costs by an estimated $7.5 million over the life of the program."

The Province has partnered with the Federal Government and the lobster industry to support a number of initiatives in lobster market development, product innovation and the development of new processing technologies. Investment of $800,000 will be made in 2010-2011 by the Department and by Innovation PEI to strengthen markets, and develop new products and processes.

Government's commitment to assisting industry led rationalization in LFA 25 and LFA 26A has been demonstrated through provision of more than $3 million of support for LFA 25 to implement a sustainability plan to reduce the lobster fleet and improve the longer term economic outlook for the fishery. Fishers in LFA 26A are being supported in the development of their plan that will eventually be submitted to Fisheries and Oceans Canada.

Government has successfully launched a Future Fishers Program to support new entrants into the fishery and better position these young fishers for success in the future. The future of the fishery and rural communities rely upon the participation of a new generation of business owners and Government is pleased to be doing its part in shaping the fishery for the future. An additional allocation of $100,000 has been dedicated to the Future Fishers Program to expand the number of new entrants supported under the Program.

The Rural Action Plan

Madame Speaker, Government has also delivered on a promise to create a comprehensive rural economic development strategy. Our strategy, the Rural Action Plan, is the first of its kind for Prince Edward Island and has been the result of a comprehensive consultation with rural Islanders. The Rural Action Plan contains seven goals and 40 actions that share a vision for rural Prince Edward Island and outline supports across government to ensure the vision is reached. Significant progress is being made to deliver on every action in the Plan.

The Island Community Fund has been transferred to the Department of Fisheries, Aquaculture and Rural Development and will be re-focussed to assist to address the opportunities for economic development and community development in rural Prince Edward Island. More than $27 million has been committed to the Island Community Fund.

This Government has invested in creating employment opportunities through programs of the Employment Development Agency. Spending under the Agency has increased from $3.7 million in 2007-08 to more than $5 million in 2010-2011.

"...Government has invested in creating employment opportunities through programs of the Employment Development Agency. Spending under the Agency has increased from $3.7 million in 2007-08 to more than $5 million in 2010-2011."

Celebrating Our Island through Tourism

Madame Speaker, the Department of Tourism and Culture will continue to invest in product and marketing that drives this important sector of the economy. Our investments in tourism in 2009/2010 helped our industry to significantly outperform the rest of the country. Our visitation increased 7.9 percent in 2009 in a climate that saw tourism destinations across the globe hit negatively by the economic slowdown.

Almost 80 percent of our tourism operators have four units or less ... primarily small rural operators. Our strategy focuses on strengthening and building tourism to benefit these rural operators. This year, Government has committed over $400,000 to an integrated approach to building our food, cultural and tourism products through an industry and government partnership called the Prince Edward Island Culinary Alliance.

Our Government will continue the roll out of the Integrated Tourism Solution so that operators can take full advantage of the Rural Broadband initiative. We will launch a new online itinerary planning tool for visitors to plan their vacations which will now include activities. Later this year, campground online booking capability will be launched. Funding of $700,000 is being provided this fiscal year and will continue next year, for a total

investment of $1.4 million to extend the benefits of information technology to all tourism operators large and small across the Island.

This year will bring a renewed focus on festivals and events across this province. Investments in festivals and events help to bring renewal and prosperity to all regions of our province. Funding for Summerfest, Cavendish Beach Music Festival, the Rollo Bay Bluegrass and Old Time Music Festival, and the Festival of Small Halls will help to strengthen our local culture and to bring us together as One Island Community. In all, more than $1.3 million will be provided to support festivals and events this fiscal year.

"...more than $1.3 million will be provided to support festivals and events this fiscal year."

Prince Edward Island has the capacity and a strong community of volunteers that allows us to proudly host national events in our great province. This fiscal year, we are proud to host the 30th Anniversary of the Terry Fox "Marathon of Hope" on the Confederation Bridge in September, 2010 and the "Scottie's" Canadian Women's Curling Championships in February 2011, and we will work to prepare for an outstanding East Coast Music Awards event in April of 2011.

Protecting Our Environment

Madame Speaker, our health, our well-being, and our economy depend on the quality of our environment.

In 2008, the Commission on Nitrates in Groundwater submitted a comprehensive and thoughtful report, and our Government has already taken action on many fronts to implement its recommendations.

"Community watershed planning plays a vital and valued role ... in protecting and improving water quality and aquatic habitat in PEI."

Community watershed planning plays a vital and valued role in implementing the Nitrate Commission's recommendations and generally in protecting and improving water quality and aquatic habitat in PEI. When this Government came to office, we almost

quadrupled funding for community watershed groups, from $120,000 in 2006 to $470,000 in the 2007-2008 budget year. Since then we have continued to increase our support for this valued activity, with funding of $750,000 allocated to support watershed groups in the coming year – a further 60 percent increase since 2007.

Early in 2008, our Government established the Office of Energy Efficiency, with program funding from the Federal Trust Fund for Clean Air and Climate Change. Since its inception, $3.1 million has been spent in program funding – assisting over 4,000 Island residential and commercial clients to reduce their energy consumption and costs, while also helping reduce PEI's dependency on fossil fuels and production of greenhouse gases. Last October, we increased the family income threshold from $30,000 to $35,000, extending eligibility to an additional 3,500 Island families.

"...$3.1 million has been spent in program funding – assisting over 4,000 Island residential and commercial clients to reduce their energy consumption and costs..."

With Federal funding ended, our Government is committing $1.5 million in provincial program funding to the Office of Energy Efficiency for the coming fiscal year. Two-thirds of this program funding will be directed to helping Islanders make their homes more energy-efficient, and the remaining $500,000 will support Island businesses to reduce their energy use.

In a volatile global energy market, Islanders need to be assured of an energy supply that is safe, clean, and reliably priced. In October 2008, our Government released a wind energy strategy toward this goal, and today, 164 megawatts are in production – 74 megawatts meeting Islanders' electricity needs, and 90 megawatts going to the export market. These wind farms generated almost $70 million in construction expenditures in PEI, and currently employ 25 Islanders in skilled technical positions.

Helping Islanders in Need

Madame Speaker, although Prince Edward Island is weathering the recession, our Government recognizes that these are difficult times for many Islanders. We are committed to helping Islanders during their times of need, and to promoting the independence and well-being of our seniors during their retirement years.

For the coming year, this Budget focuses significant resources on one of the most basic of all needs – shelter. Adequate, affordable housing promotes the safety, comfort, health, and well-being of children, families, and our seniors. Measures to build, maintain, and repair our social housing stock create employment for skilled tradespeople in every part of our province.

In October 2007, our Government reinstated the Seniors' Home Repair Program. During our first three years in office, our Government provided $1.2 million for this program – assisting over 900 seniors with repairs to their homes, and we are continuing our commitment to this valued program this fiscal year. These investments have improved the quality of life for these seniors, and helped them to continue living independently in their own homes.

"In October 2007, our Government reinstated the Seniors' Home Repair Program."

"...assisting over 900 seniors with repairs to their homes..."

Last fall, the Capital Estimates committed $7.5 million to the construction of new housing units for Island seniors. These funds will leverage $4.25 million in Federal funds under the Canadian Economic Action Plan to be used for affordable housing across the province.

Adequate and affordable housing also contributes to family well-being and healthy child development. Across PEI, nine Family Housing Boards maintain and operate 476 housing units serving low-income families. Additional funding of $300,000 will be provided to the Housing Boards to maintain these units in good condition.

The Social Assistance Program assists eligible clients with their costs of shelter based on type of accommodation and family size. Effective June 1, 2010, the Social Assistance Shelter rate will increase by 2 percent, representing a $270,600 investment for the current fiscal year.

In addition to these supports for shelter and housing, this Budget also takes action to meet other essential needs. Last June, the Social Assistance Food Allowance rate was increased by 10 percent. In this fiscal year, a further $83,000 will be provided to cover the annualized cost of this increase for social assistance clients, taking our annual support for this increase to a total of $500,000.

The Department of Community Services, Seniors and Labour works with a number of community-based non-governmental partners to deliver a broad range of programs and services to the public. Since 2007, over $1 million in new funding has been provided to our NGO partners, and in the current fiscal year, an additional $256,000 has been allocated.

Government is pleased to announce that $30,000 has been allocated for the Alzheimer Society of Prince Edward Island. Alzheimer's disease is a progressive, degenerative disease of the brain, which causes thinking and memory to become seriously impaired. The Society provides valued support to Islanders with Alzheimer's disease and to their families and caregivers.

"Government is pleased to announce that $30,000 has been allocated for the Alzheimer Society of Prince Edward Island."

Madame Speaker, I am also pleased to announce that Government will soon retain a Child and Youth Services Commissioner. As we all know, the challenges facing many of today's youth are daunting – and our Government does its upmost to respond to those issues. The new Commissioner will promote collaboration among a series of departments to ensure we are meeting the needs of those young Islanders.

"...I am also pleased to announce that Government will soon retain a Child and Youth Services Commissioner."

Enhancing Justice and Public Safety

Madame Speaker, after years of neglect, our Government has sought to make much-needed investments to enhance services related to justice and public safety. We have strengthened our maintenance enforcement ... enhanced access to legal aid ... installed closed circuit television to support our most vulnerable Islanders during the justice process ... and lead the country in improving 911 coverage for cell phone users.

"...after years of neglect, our Government has sought to make much-needed investments to enhance services related to justice and public safety."

Our correctional facilities play an integral role in rehabilitating Islanders involved in the criminal justice system. All Islanders need to be confident that our correctional facilities are safe, secure, efficient, and effective. PEI's two facilities in Summerside and Charlottetown have 94 beds and those are taxed to the limit. Federal legislation is expected to increase time served for many offenders, putting further pressures on our correctional facilities.

To begin addressing this need, a $3.4 million 48-bed addition is being built at the Provincial Correctional Centre. Construction on this extension began during the Summer of 2009 with an anticipated completion date of Spring 2010.

As provided for in the *Police Act*, we have established the Office of the Police Commissioner to ensure independent civilian oversight of police services on PEI. The Office will receive annual funding of $150,000 for this important work. As well, we have established the Police Training Fund with annual funding of $50,000, to assist municipalities and UPEI to deliver the training required under the new *Police Act* Regulations. Priorities are set though consultation, and will include training in areas such as use of force, motor vehicle pursuits, and non-violent crisis intervention.

As well, to respond to the diverse needs of our One Island Community, we have signed an RCMP-First Nations Community

Policing Agreement with Public Safety Canada and the Abegweit First Nation, committing one RCMP Regular Member to their policing needs. The officer will focus on community policing, including community relations, school liaison, and senior safety programs. We are partnering with the Federal Government to share the annual funding of $124,800 for this service.

Strengthening our Municipalities

Madame Speaker, earlier this year, our Government endorsed the Report of the Commission on Land and Local Governance. Since that time, we have appointed a full-time employee to oversee the implementation of the recommendations laid out in the report. As recommended by the Commissioner, we have established two joint provincial-municipal working committees, one to look at possible funding models and the other to review the current *Municipalities Act*.

"Madame Speaker, earlier this year our Government endorsed the Report of the Commission on Land and Local Governance."

Madame Speaker, it has been a priority of this Government to work with municipalities for the benefit of all Islanders. Despite our fiscal challenges, we will continue to increase municipal grants and equalization payments to a total of over $23 million in 2010-2011. In addition to this year's increase, I am pleased to announce today that we are also guaranteeing a funding increase of one percent in municipal grants for fiscal year 2011-2012. This will allow municipal councils to plan their upcoming budgets with more timely and predictable funding information.

"Despite our fiscal challenges, we will continue to increase municipal grants and equalization payments to a total of over $23 million in 2010-2011. "

As well, we will continue our partnership with the Federal and municipal governments to renew and develop community infrastructure throughout the province.

These investments are helping to renew water and sewer infrastructure from Souris to Tignish ... build community centres in O'Leary, Wellington, and Pownal ... expand recreational facilities in Cornwall and many other communities ... and enhance cultural and heritage infrastructure, such as the Indian River

Festival. In our cities, we have invested $4.5 million in Summerside's wind farm ... and we are engaged in planning for the Tourism and Convention Centre in Charlottetown. In addition to providing economic stimulus and employment across PEI, these infrastructure investments strengthen our communities, protect our environment, and enhance safety and quality of life for all Islanders.

Madame Speaker, on Sunday, April 11, the Evangeline Region lost its arena in an accidental fire. The arena played an important role in the Community of Abrams Village, and the people of the region have been rallying to develop a plan to replace the facility with a new recreation centre as soon as possible.

Le député d'Évangéline-Miscouche s'est assuré que le gouvernement reconnaisse l'ampleur des pertes subies dans la région Évangéline. Il aimerait rassurer les Insulaires que le gouvernement provincial contribuera à la construction d'un nouveau centre de récréation dans la région Évangéline, tout comme le gouvernement fédéral et la communauté.

"Il aimerait rassurer les Insulaires que le gouvernement provincial contribuera à la construction d'un nouveau centre de récréation dans la région Évangéline, tout comme le gouvernement fédéral et la communauté."

Economic Outlook

Madame Speaker, as the global economy emerges from the deepest and most protracted recession since the end of the Second World War, the Prince Edward Island economy has proven relatively resilient due to a combination of the industries found on the Island, and the timely fiscal stimulus from all levels of government.

Economic indicators show that Prince Edward Island avoided a recession in 2009. Economic growth on PEI is estimated at 0.5 percent in 2009.

Notable economic highlights from the past year include:

- By the end of 2009, Prince Edward Island had regained its peak pre-recession employment level of 71,200.
- The *Survey of Employment, Payroll and Hours* indicated a 2.8 percent increase in the number of jobs in the wage economy in 2009 – an all-time high.
- Total labour income grew 4.4 percent in 2009, the fastest rate of growth in the Country.
- Residential and non-residential construction increased 6 percent and 38 percent respectively in 2009.
- Prince Edward Island was the only province in the Country to record an increase in housing starts in 2009.
- Through three-quarters of 2009, farm cash receipts have increased 6.8 percent.
- The population of Prince Edward Island grew by 1.1 percent in 2009 - the fastest in the region.

The outlook for the Prince Edward Island economy in 2010 is positive, with growth forecast at approximately 2 percent. Capital spending, bolstered by ongoing public-sector stimulus spending, is projected to increase 6.3 percent this year. Employment and wages are expected to grow in 2010, which should support consumer demand.

"The outlook for the Prince Edward Island economy in 2010 is positive, with growth forecast at approximately 2 percent."

While the global economy is showing signs of improvement , the recovery remains fragile. The continued strength of the Canadian dollar could place downward pressure on the economic outlook for 2010, as the Island's export sectors, tourism and manufacturing would be affected.

Our economy, that continued to show growth during the downturn, has contributed to improvement in total own source revenues including increased personal, corporate and retail sales tax revenues. In addition to the effect of an improving economy, PEI's Corporate Income Tax revenues are projected to increase by $3.4 million in 2010-2011 due to an acceleration of the tax instalments from the Federal Government which administers this tax on the Province's behalf.

Transfers from the Federal Government are projected to decrease by approximately $1 million compared to last year's forecast amount. Federal restraint on transfers continues to affect provinces in 2010-2011. Federal trust funds that supported environmental initiatives, immunizations, public transit and the reduction of wait times end in 2010-2011. The cumulative impact of restrictions on Federal transfers and the expiration of trust funds has put significant added pressure on provincial finances.

"The cumulative impact of restrictions on Federal transfers and the expiration of trust funds has put significant added pressure on provincial finances."

Containing our Debt

Madame Speaker, the Capital and Operating Budgets of 2009-2010 and 2010-2011 provided much-needed stimulus during the worst global economic downturn since the Second World War. To combat this downturn, we have partnered with the Federal and municipal governments to make significant investments in key economic and social infrastructure, including roads and bridges, hospitals and manors, water and sewer systems, and recreational facilities.

But of course, Madame Speaker, these investments carry a cost and deficits were incurred. At the same time, the deficits of the past two fiscal years are less severe than those of other provinces that were more severely affected by the downturn. The projected deficit for 2010-2011 represents 1.2 percent of GDP or $386 per capita – significantly below the ten-province average.

"The projected deficit for 2010-2011 represents 1.2 percent of GDP or $386 per capita – significantly below the ten-province average."

Madame Speaker, while the Net Debt of the Province has increased in recent years, I am pleased to say that the amount of revenue dedicated to paying interest on the debt or the 'Interest Bite' has continued to decline from 9.8 percent in 2006-2007 to a projected 7.5 percent in 2010-2011. This means that more of the Province's revenue dollars are going to fund programs and services.

It is now time to plan for a return to balance.

Tax Measures since Spring 2007

Madame Speaker, our Government is committed to keeping taxes as low as possible. By the end of this fiscal year, our commitment to tax fairness will leave tax savings of $70 million in the hands of Islanders since we came to office.

- Personal income taxes were reduced, saving Islanders over $28 million.

- The tax on gasoline was reduced by 4.4 cents per litre, saving Islanders $8.8 million a year for four-year savings of $35 million.

- Owner-occupied residential property tax assessments were frozen for three years, saving Islanders more than $6 million.

- In addition, the disability tax credit was improved ... coverage of the Seniors' Property Tax Deferral program was expanded ... taxes for small businesses were reduced ... and farmers saw relief from property taxes on lands within buffer zones and buildings not in use.

Madame Speaker, I am pleased to announce today that this Budget contains no tax increases.

"Madame Speaker, I am pleased to announce today that this Budget contains no tax increases."

Conclusion

Madame Speaker ... for the last several years, this Government has followed a plan designed to modernize our province while maintaining our duty to be fiscally prudent.

The global recession tested our plan – and Madame Speaker, our resilience as an Island has helped Government to secure a better future for each and every one of us.

Is it possible to introduce all the needed innovations overnight? Of course not, Madame Speaker. The task before all of us is large – and we must approach the challenges we face in a deliberate and responsible manner. Allow me to offer a few examples.

Since this Government came to power, spending on much-needed medications for Islanders has increased by 45 percent.

Is this adequate? Not yet, Madame Speaker. But we are much further along the path now than we were three years ago.

Similarly, our home care system was woefully underfunded. As a result, too many Islanders were forced into institutional care, instead of enjoying the company of family, friends and neighbors later in life. I am pleased to report that spending in this vital area has increased 60 percent over the course of this Government.

From another perspective, today's Budget introduces major new investments in early childhood – which will complement our historic effort to bring kindergarten into the public school system as a full-day program.

Is there still work to do? There is, Madame Speaker, and that work is being done.

On the economic front, our Government committed to an Island Prosperity Strategy aimed at growing innovation-based jobs while at the same time, securing the future of our primary industries and our rural communities.

Have we met this challenge? We have made much progress – and we will continue to work on behalf of all Islanders.

Thank you, Madame Speaker.

BUDGET SCHEDULES

1. Budget Summary
2. Revenue Summary by Source
3. Expenditure Summary by Department
4. Summary of Budgeted Surplus (Deficit) of Crown Corporations
5. Summary of Amortization of Tangible Capital Assets
6. Where the Money Goes
7. Where the Money Comes From
8. Cash Requirements
9. Summary Comparison - Provincial Tax Rates
10. Personal Income Tax 2010

Schedule 1
Budget Summary

	2010-2011 Budget Estimate	2009-2010 Budget Forecast	2009-2010 Budget Estimate
	$	$	$
REVENUE			
Provincial Own Sources	800,091,100	764,911,600	756,918,000
Federal Sources	627,316,900	628,281,100	615,687,100
Sinking Fund Earnings	14,875,000	12,450,000	14,875,500
Net Consolidated Surplus of Crown Corporations	18,712,900	13,709,700	13,971,300
Total Revenue	1,460,995,900	1,419,352,400	1,401,451,900
EXPENDITURE			
Program Expenditures	1,364,619,200	1,360,030,900	1,331,365,800
Interest Charges on Debt	109,959,700	101,449,800	114,270,300
Operating Expenditure	1,474,578,900	1,461,480,700	1,445,636,100
Amortization Expense	48,472,600	52,805,000	51,427,900
Amortization of Capital Revenue	(7,164,800)	(10,732,200)	(10,273,900)
Total Expenditure	1,515,886,700	1,503,553,500	1,486,790,100
CONSOLIDATED DEFICIT	**(54,890,800)**	**(84,201,100)**	**(85,338,200)**

Schedule 2
Revenue Summary by Source

	2010-2011 Budget Estimate	2009-2010 Budget Forecast	2009-2010 Budget Estimate
	$	$	$
PROVINCIAL OWN SOURCES			
Taxes	712,681,500	677,329,300	670,200,000
Fees and Services	30,454,800	29,650,200	29,548,000
Sales	26,671,100	26,858,700	27,212,600
Licenses and Permits	21,104,200	21,803,000	20,148,100
Investments	9,179,500	9,270,400	9,809,300
Sub-Total	800,091,100	764,911,600	756,918,000
GOVERNMENT OF CANADA			
Equalization	329,827,000	339,919,000	339,919,000
Canada Health Transfer	109,866,000	103,685,000	104,364,000
Canada Social Transfer	46,638,000	45,240,000	45,328,000
Base Funding for Infrastructure	42,000,000	42,000,000	42,000,000
Labour Market Agreements	38,154,400	27,345,500	19,354,100
Infrastructure Programs	23,557,300	22,304,700	24,592,900
Other	37,274,200	47,786,900	40,129,100
Sub-Total	627,316,900	628,281,100	615,687,100
TOTAL CURRENT REVENUE	1,427,408,000	1,393,192,700	1,372,605,100
Sinking Fund Earnings	14,875,000	12,450,000	14,875,500
Net Consolidated Surplus of Crown Corporations	18,712,900	13,709,700	13,971,300
TOTAL OPERATING REVENUE	**1,460,995,900**	**1,419,352,400**	**1,401,451,900**

Schedule 3
Expenditure Summary by Department

	2010-2011 Budget Estimate	2009-2010 Budget Forecast	2009-2010 Budget Estimate
	$	$	$
CURRENT			
Agriculture	30,589,200	32,916,000	29,941,000
Community Services, Seniors and Labour	88,906,400	89,624,800	88,324,500
Interministerial Women's Secretariat	435,600	435,600	435,600
Education and Early Childhood Development	220,505,200	209,520,600	206,858,000
Island Regulatory and Appeals Commission	1,308,400	1,335,100	1,335,100
Environment, Energy and Forestry	22,329,200	25,963,400	25,749,100
P.E.I. Energy Corporation	572,400	584,100	584,100
Executive Council	3,944,600	3,849,400	4,096,500
Finance and Municipal Affairs	65,658,100	61,757,500	63,216,300
Council of Atlantic Premiers	192,200	196,100	196,100
Employee Benefits	39,496,400	59,692,500	63,673,700
General Government	11,227,800	8,684,800	10,392,300
Fisheries, Aquaculture and Rural Development	13,357,200	11,587,000	13,121,100
Employment Development Agency	5,430,700	5,264,700	5,264,700
Health and Wellness	13,810,100	13,311,900	13,172,200
Health PEI	494,781,800	476,351,700	471,437,000
Innovation and Advanced Learning	127,501,700	121,858,000	104,936,400
Innovation PEI	27,402,500	31,841,300	26,941,300
P.E.I. Lending Agency	782,400	1,823,700	823,700
Office of the Attorney General and Public Safety	41,745,900	41,393,300	41,224,900
Tourism and Culture	7,952,400	8,297,100	8,143,500
Tourism PEI	16,595,200	17,716,400	16,388,300
Transportation and Infrastructure Renewal	121,730,900	127,760,600	126,799,700
Auditor General	1,682,100	1,636,700	1,682,100
Legislative Assembly	4,903,800	4,790,900	4,790,900
P.E.I. Public Service Commission	5,577,000	5,637,700	5,637,700
Amortization Recorded in Crown Corporations	(5,000,000)	(5,000,000)	(5,000,000)
Amortization of Capital Contributions in Crown Corporations	1,200,000	1,200,000	1,200,000
PROGRAM EXPENDITURE	1,364,619,200	1,360,030,900	1,331,365,800
Interest Charges on Debt	109,959,700	101,449,800	114,270,300
OPERATING EXPENDITURE	**1,474,578,900**	**1,461,480,700**	**1,445,636,100**

Schedule 4
Summary of Budgeted Surplus (Deficit) of Crown Corporations

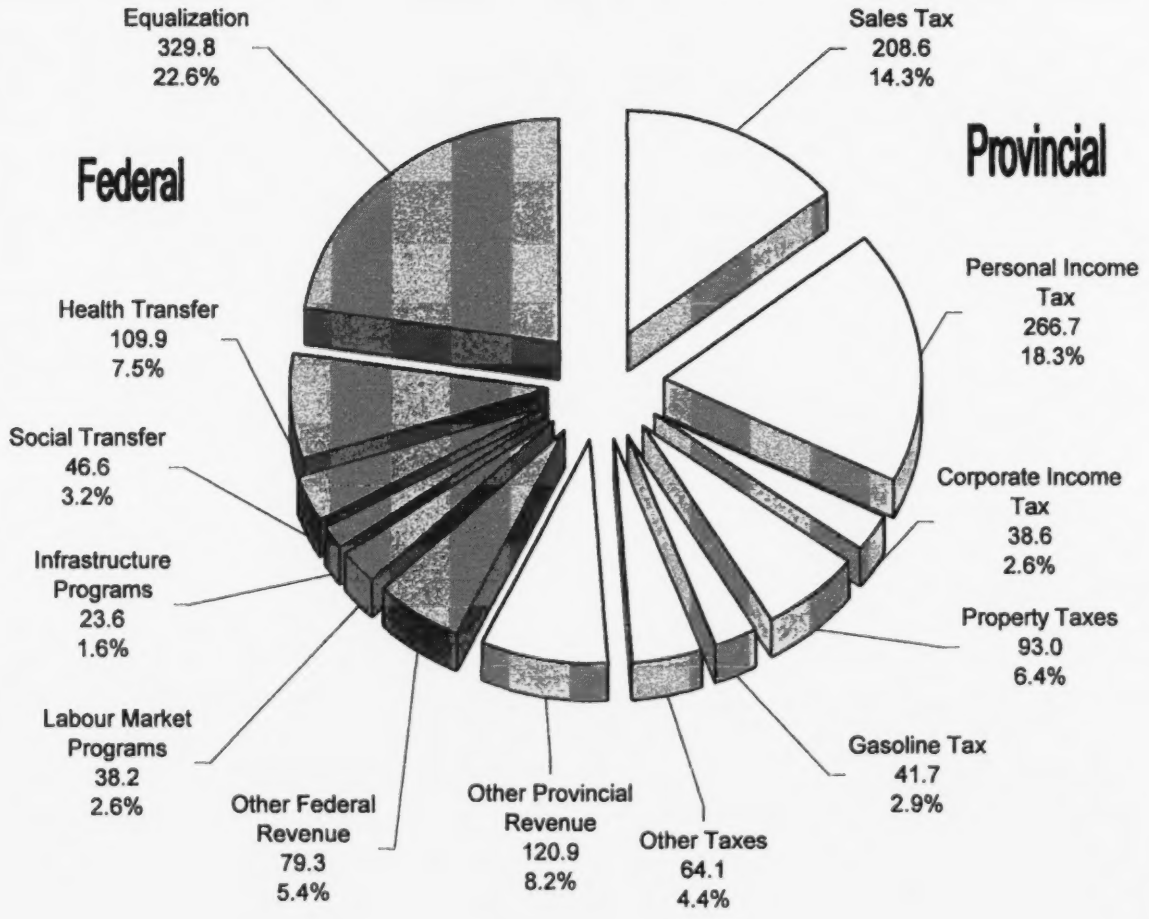
	2010-2011 Budget Estimate	2009-2010 Budget Forecast	2009-2010 Budget Estimate
	$	$	$
Charlottetown Area Development Corporation[1]	3,200	(20,800)	18,800
Island Investment Development Inc.	15,500,000	11,800,000	9,075,300
Island Waste Management Corporation	50,300	90,900	(68,200)
P.E.I. Agriculture Research Investment Fund Inc.	-	(179,800)	(73,800)
P.E.I. Aquaculture and Fisheries Research Initiative Inc.	(208,800)	(262,100)	(223,000)
Prince Edward Island Agricultural Insurance Corporation	120,700	(1,934,600)	50,000
Prince Edward Island Energy Corporation	3,144,000	4,830,000	5,121,000
Prince Edward Island Grain Elevators Corporation	10,000	33,900	35,000
Prince Edward Island Self-Insurance and Risk Management Fund	200,000	(500,000)	200,000
Summerside Regional Development Corporation [1]	(106,500)	(147,800)	(163,800)
NET CONSOLIDATED SURPLUS OF CROWN CORPORATIONS	18,712,900	13,709,700	13,971,300

Note 1 The Budget Estimates include 83% of the total surplus (deficit) of the Charlottetown Area Development Corporation; and 75% of the total surplus (deficit) of the Summerside Regional Development Corporation, to reflect the Province's ownership of these entities.

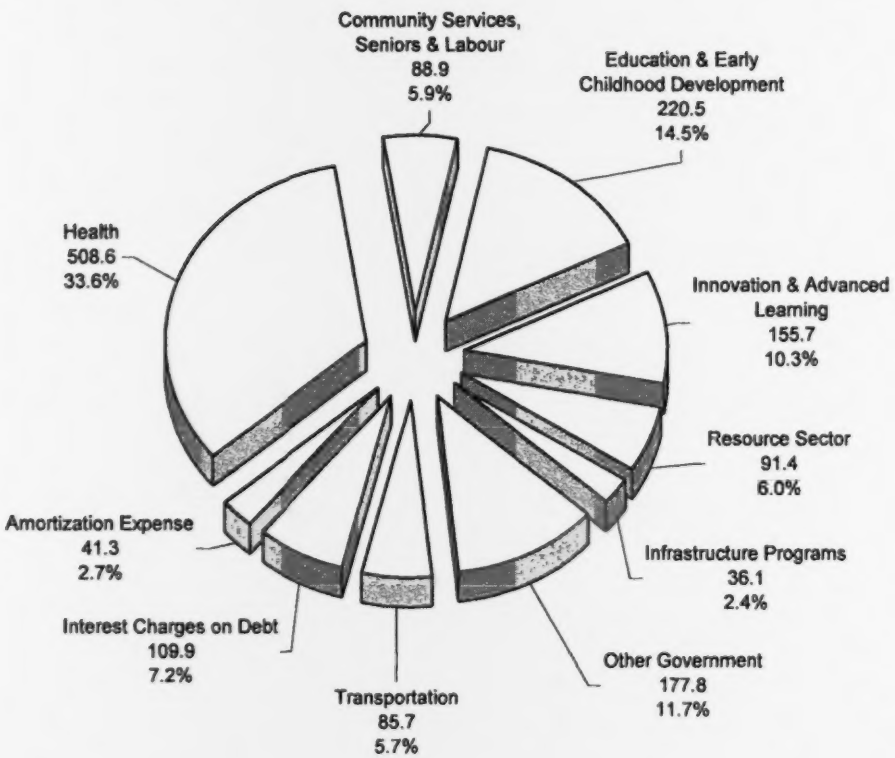
Schedule 5
Summary of Amortization of Tangible Capital Assets

	2010-2011 Budget Estimate	2009-2010 Budget Forecast	2009-2010 Budget Estimate
	$	$	$
AMORTIZATION OF TANGIBLE CAPITAL ASSETS			
General Government:			
Buildings and Improvements	6,407,200	5,940,400	5,263,300
Lease Improvements	314,400	314,400	310,000
Roads and Bridges	17,270,900	16,304,800	15,365,800
Motor Vehicles	1,600,600	1,511,200	1,464,900
Equipment	9,573,700	15,933,400	15,420,400
Other	2,505,800	2,100,800	1,876,500
Total General Government	37,672,600	42,105,000	39,700,900
Amortization Recorded in Expenditure Summary by Department:			
Innovation PEI	2,900,000	2,900,000	2,900,000
Tourism PEI	600,000	600,000	600,000
PEI Housing Corporation	1,500,000	1,500,000	1,500,000
Total Recorded in Expenditure Summary by Department	5,000,000	5,000,000	5,000,000
Other Sectors:			
Education Sector	5,775,000	5,673,000	6,700,000
Harness Racing PEI	-	2,000	2,000
Crown Building Corporation	25,000	25,000	25,000
Total Other Sectors	5,800,000	5,700,000	6,727,000
TOTAL AMORTIZATION OF TANGIBLE CAPITAL ASSETS	**48,472,600**	**52,805,000**	**51,427,900**
AMORTIZATION OF CAPITAL CONTRIBUTIONS			
Total General Government	5,964,800	9,532,200	9,073,900
Innovation PEI	1,200,000	1,200,000	1,200,000
TOTAL AMORTIZATION OF CAPITAL CONTRIBUTIONS	**7,164,800**	**10,732,200**	**10,273,900**

Schedule 6
Where the Money Comes From
2010-2011 Revenues
($ millions)



Schedule 7
Where the Money Goes
2010-2011 Expenditures
($ millions)



Schedule 8
Cash Requirements

	2010-2011 Budget Estimate	2009-2010 Budget Forecast	2009-2010 Budget Estimate
CASH REQUIREMENTS			
Consolidated (Surplus) Deficit	54,890,800	84,201,100	85,338,200
Net Acquisition of Tangible Capital Assets	129,372,800	133,088,500	127,353,800
Amortization of Tangible Capital Assets	(48,472,600)	(52,805,000)	(51,427,900)
Amortization of Capital Contributions	7,164,800	10,732,200	10,273,900
Net Borrowings on behalf of Crown Corporations	6,290,000	5,020,000	53,950,000
Sinking Fund Earnings	14,875,000	12,450,000	14,875,500
Sinking Fund Provisions	14,375,000	14,500,000	14,500,000
Change in Short-Term Payables/Receivables	(12,200,800)	(52,165,700)	(45,683,400)
Transfer to Pension Fund	21,200,000	74,200,000	21,200,000
CASH REQUIREMENTS	187,495,000	229,221,100	230,380,100
MATURING DEBT			
Canada Pension Plan	9,603,000	10,544,000	10,544,000
Refinancing of Canada Pension Plan	(9,603,000)	(10,544,000)	(10,544,000)
Public Debentures	110,000,000	-	-
Maturities Financed by Sinking Fund	(56,000,000)	-	-
TOTAL MATURING DEBT	54,000,000	-	-
TOTAL CASH REQUIREMENTS	241,495,000	229,221,100	230,380,100
SOURCES OF CASH			
Short-term Borrowing	141,495,000	29,221,100	130,380,100
Long-term Borrowing	100,000,000	200,000,000	100,000,000
TOTAL SOURCES OF CASH	241,495,000	229,221,100	230,380,100

Schedule 9

Summary Comparison - Provincial Tax Rates[1]

	Sales Tax (%)	Tobacco Tax ($/pk 25)	Fuel Tax Gasoline (¢/litre)	Fuel Tax Diesel (¢/litre)	Corporate Income Tax General (%)	Corporate Income Tax Small (%)
British Columbia	7.0	4.63	14.5	15.0	10.5	2.5
Alberta	0.0	5.00	9.0	9.0	10.0	3.0
Saskatchewan	5.0	5.25 [3]	15.0	15.0	12.0	4.5
Manitoba	7.0	5.13 [3]	11.5	11.5	12.0	1.0
Ontario	8.0	3.09	14.7	14.3	14.0	5.5
Quebec	7.5	2.58	16.2 [3]	17.2 [3]	11.9	8.0
New Brunswick	8.0	2.94 [3]	10.7 [3]	16.9 [3]	12.0	5.0
Nova Scotia	8.0	5.38 [3]	15.5 [3]	15.4 [3]	16.0	5.0
Newfoundland	8.0	4.75 [3]	16.5 [3]	16.5 [3]	14.0	4.0
Prince Edward Island	**10.0**	**5.61**	**7.1** [2]	**11.5** [2]	**16.0**	**1.0**
Atlantic Average	8.5	4.67	12.5	15.1	14.5	3.8
National Average	6.9	4.44	13.1	14.2	12.9	4.0

[1] Rates are effective as of April 23rd.

[2] A 10.7% tax on the average wholesale price applies to a maximum of 8.7 c/l.

[3] Provincial Sales Tax applies.

Schedule 10
Personal Income Tax 2010

Tax Brackets & Rates:

9.8% of taxable income less than or equal to $31,984

13.8% of taxable income between $31,984.01 and $63,969

16.7% of taxable income in excess of $63,969

10% of provincial tax in excess of $12,500

Tax Credits:	**Amount ($)**
Basic personal amount	7,708
Spouse or common-law partner amount	6,546
- Income threshold	655
Amount for eligible dependant	6,294
- Income threshold	629
Caregiver amount	2,446
- Income threshold	11,953
Amount for infirm dependants	2,446
- Income threshold	4,966
Age amount	3,764
- Income threshold	28,019
Pension amount	1,000
Disability amount	6,890
Disability supplement	4,019
- Threshold for child & attendant care expenses	2,354
Teacher school supply amount (maximum)	500
Young child amount (maximum)	1,200
Full-time education amount (monthly)	400
Part-time education amount (monthly)	120
Transfer limit for tuition and education amounts	5,000
Medical expense threshold	1,678
Medical expense limit – other dependants	10,000
Political contributions tax credit (maximum)	500

Low Income Tax Reduction Program:	
Basic reduction	250
Reduction for spouse or common-law partner	250
Reduction for dependant children	200
Phase-out rate of family adjusted income in excess of $15,000	5%

BUDGET PAPER A:

BACKGROUND NOTES ON THE ECONOMY

BUDGET PAPER A:
HIGHLIGHTS OF THE PRINCE EDWARD ISLAND ECONOMY 2010

International Economy

Global economic recovery from the most protracted and coordinated recession in recent history is underway. Confidence is resuming, leading to resumption in global economic growth. According to the International Monetary Fund (IMF), global output is expected to rise by 4 per cent in 2010. This is an upward revision from their October outlook. However, the pace of recovery will not be the same everywhere, with emerging economies growing much more rapidly than advanced economies. The IMF projects that advance economies as a whole will expand 3.9 per cent in 2010, after contracting 0.8 per cent in 2009. Emerging and developing economies will expand 6.0 per cent in 2010, after expanding 2.1 per cent in 2009. Growth in emerging economies will once again be led by China and India, who are projected to grow by 10 per cent and 7.7 per cent respectively.

There are considerable risks to this projection. On the upside, a reduction in uncertainty may result in increased consumer confidence, and a resumption of trade flows and private demand. On the downside, sustained high unemployment exiting this recession may delay the uptick in consumer confidence necessary to support the broader economy. Other risks include strong commodity prices, and rising concern about the amount of sovereign debt incurred as a result of stimulus measures. Finally, concern about an uncoordinated exit from stimulus may be disruptive to growth going forward, especially if private sector spending does not materialize to fill the gap.

According to the IMF, global economic growth is expected to be approximately 7.5 per cent lower in 2014, than if the global economic crisis had not materialized. This suggests that the loss of output from the recession will not be recovered, and that the world economy is on a permanently lower growth path.

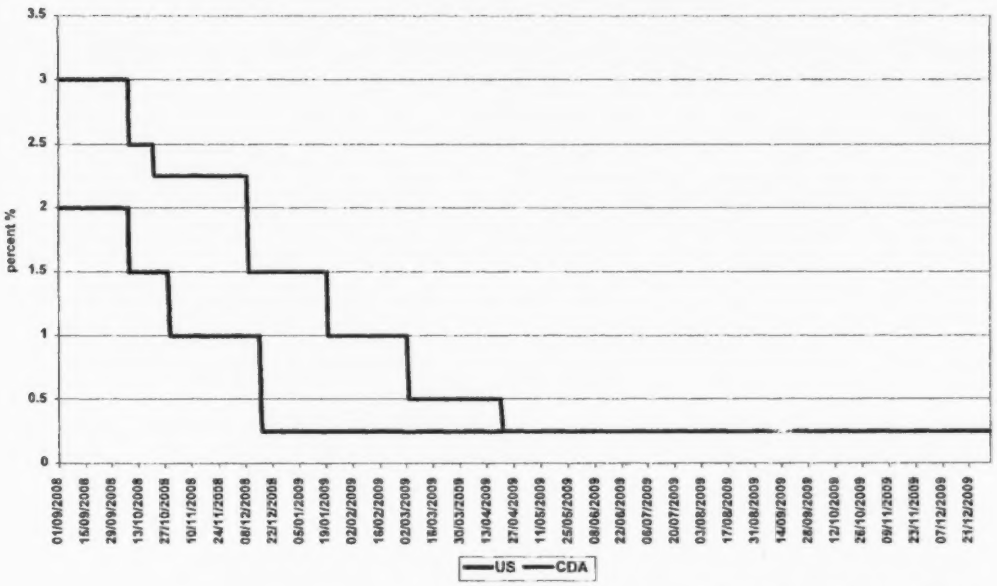
American Economy

The American economy emerged from recession in the third quarter of 2009. Real GDP in that quarter grew by 2.2 per cent at an annualized rate. Estimates for Q4 show GDP growth of 5.6 per cent at an annualized rate. Gains in GDP came from exports, personal consumption expenditures, and private inventory investments. During this time imports also increased, subtracting from GDP. Real GDP declined 2.4 per cent in 2009.

The employment situation in the United States has begun to moderate. In March 2010, there were 15.0 million unemployed Americans, down 162,000 from February 2010. Presently, the unemployment rate is 9.7 per cent, up 4.8 percentage points, very nearly double that of the beginning of the recession. Jobs continue to be lost in the financial activities and information sectors, whereas gains occurred in health care, temporary help and the service sector.

Though growth is beginning to re-emerge in the American economy, final domestic demand remains weak. This situation is unlikely to improve until there is a sustained recovery in US employment. Private sector analysts suggest that the Federal Reserve will continue with its current interest rate policy until well into 2010. Below is a graph detailing the target for the overnight rate for both the United States and Canada. After cutting rates rapidly during the beginning of the recession, the overnight rate has held steady at 0.25 per cent in the United States throughout all of 2009. A similar pattern can be observed for Canada.

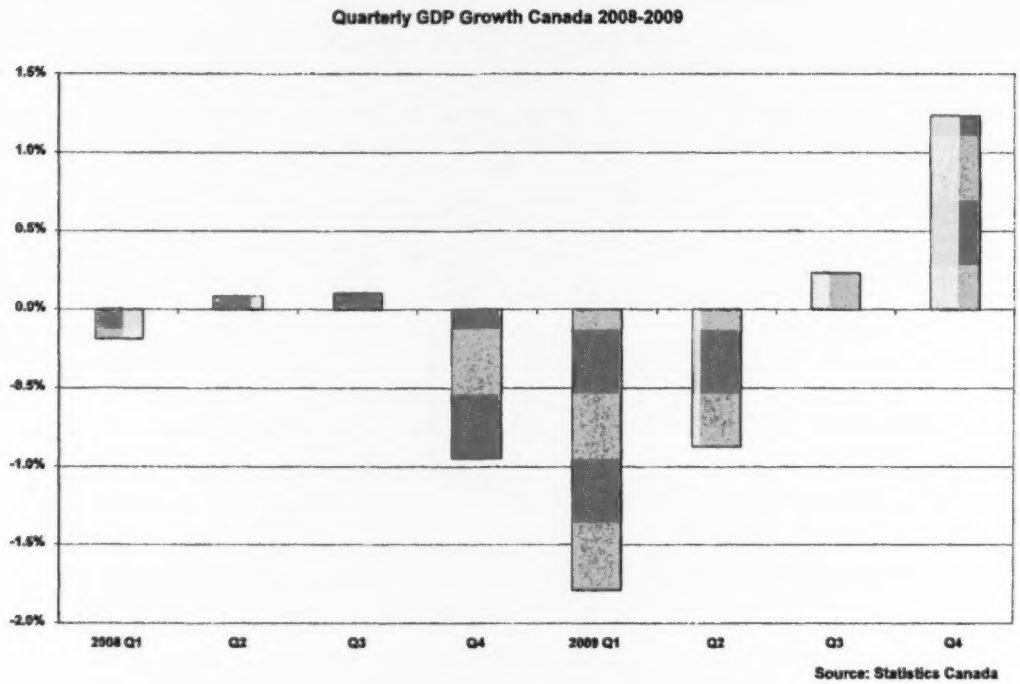
Target for the Overnight Rate: United States and Canada



Source: Bank of Canada, U.S. Federal Reserve

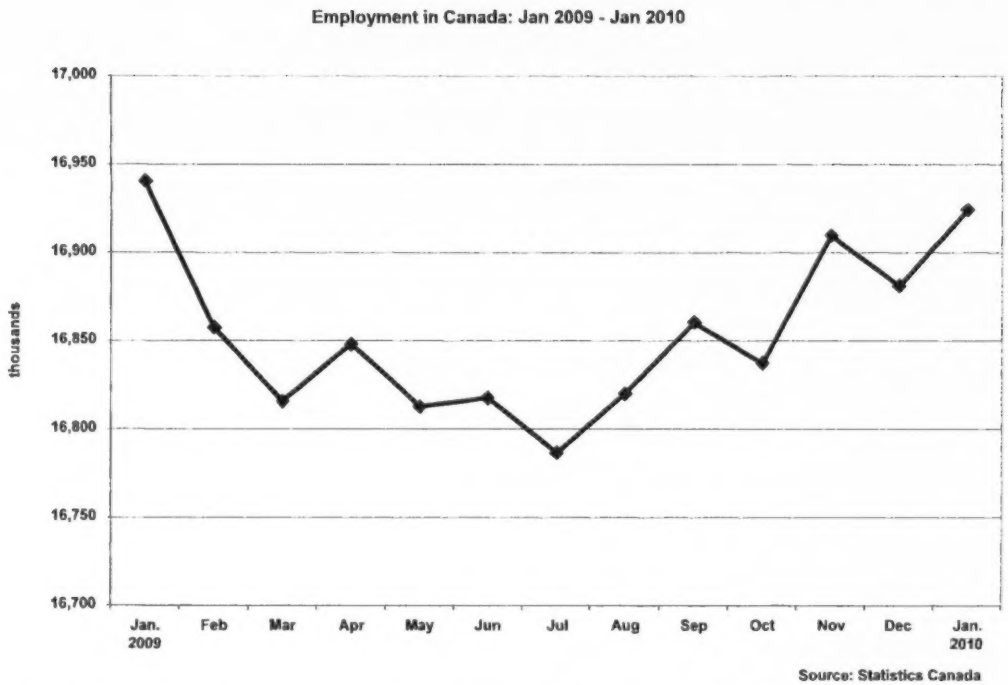
Canadian Economy

The Canadian economy emerged from recession in the third quarter of 2009, after three quarters of negative economic growth beginning in the fourth quarter of 2008. GDP growth in the third quarter was 0.2 per cent, while growth in the fourth quarter advanced to 1.2 per cent, the fastest quarterly growth in a decade. Overall the Canadian economy contracted 2.6 per cent in 2009. A decline in exports and business investment contributed to the contraction in GDP. Since 1962, there have been only two other years where GDP growth has been negative. Recovery in the economy is still fragile, with fiscal stimulus, rather than consumer spending or investment, being the main driver of economic growth in 2009, and into 2010.

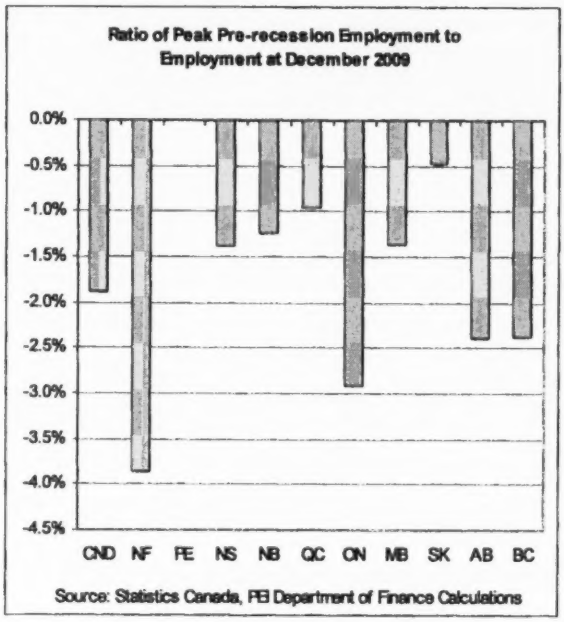


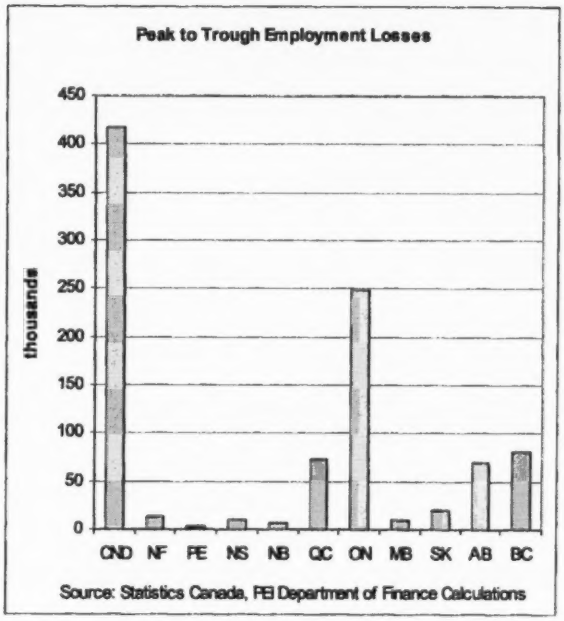
Employment in Canada declined by an average of 276,900 jobs, or 1.6 per cent in 2009. The majority of these employment losses occurred in the first six months of the year, and were largely concentrated in the manufacturing sector in Ontario. This resulted in the unemployment rate averaging 8.3 per cent in 2009, an increase of 2.2 percentage points over 2008. Since July 2009, employment has resumed its upward trajectory.

Job losses occurred primarily in the goods-producing sector, down 7.1 per cent, while the service sector remained essentially flat, up 0.1 per cent. Losses were particularly acute in manufacturing, down 9.1 per cent, other primary industries (this includes, oil and gas extraction, forestry, and mining), down 7.0 per cent, and construction, down 5.7 per cent. Modest gains occurred in other services, up 5.0 per cent, health care and social assistance, up 2.7 per cent, and information, culture and recreation, up 2.3 per cent.



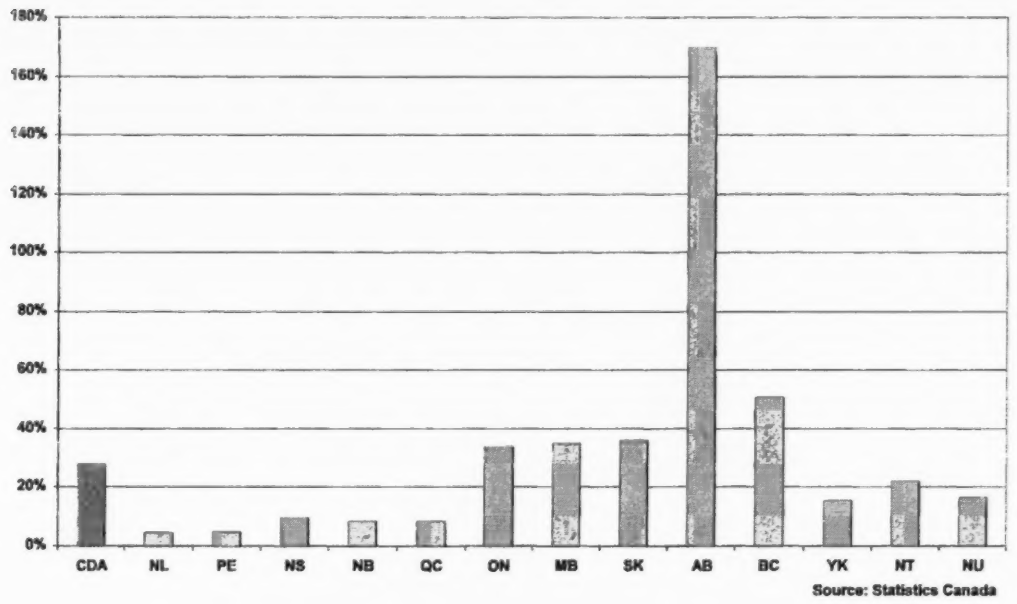
Employment declined in seven provinces in 2009, with only New Brunswick, Manitoba and Saskatchewan recording gains. However, all provinces lost a substantial amount of jobs to the recession, as indicated in the peak-to-trough employment losses diagram below. Prince Edward Island is the only jurisdiction that re-gained its pre-recession employment level of 71,200 people by December 2009.





The increase in unemployment resulted in an increase in the usage of employment insurance benefits throughout Canada. Between December 2008 and December 2009, the number of beneficiaries receiving regular benefits increased 50.8 per cent. The largest percentage changes in the number of beneficiaries occurred Alberta and British Columbia, due both to the job losses that occurred in the oil and gas, and forestry sectors, but also due to the low number of claimants at the beginning of this recession.

Percentage Change in Beneficiaries Receiving Regular Employment Insurance Benefits
Dec2008 - Dec2009



Source: Statistics Canada

From March of 2009 onwards, the Canadian dollar has been appreciating against the US dollar. In March, the Canadian dollar was valued about 77 cents US, and by the end of the year, was worth approximately 95 cents US. In 2009, the high was reached on October 14th, when the dollar closed at 97 cents US. The increase in the Canadian dollar is largely a result of a rebound in commodity prices, strong equity prices, and a sentiment that the Bank of Canada will begin raising interest rates in the near future. This steady increase in the Canadian dollar has the potential to weaken Canada's emergence from this recession. Though domestic demand remains strong, export performance has been weak, contributing to lower GDP growth.

Consumer spending increased 1.1 per cent in 2009, largely as a result of an increase in demand for services. Consumer spending on durable and semi-durable goods declined during this period; however, most of these declines were witnessed at the beginning of the year. Demand for durable goods contributed positively to GDP through the last half of 2009. Household demand also remained strong in 2009. After declining through the second half of 2008, and the beginning of 2009, household demand recorded three strong quarters of growth. The personal savings rate increased to 5.0 per cent in 2009, up from 3.7 per cent in 2008.

Consumer Prices increased marginally in 2009, with the all-items consumer price index increasing 0.3 per cent. On average, prices for food increased 4.9 per cent, while energy prices declined 13.5 per cent over this time period. Core inflation, (excluding food and energy), increased 1.1 per cent in 2009, well within the Bank of Canada's policy target of 1-3 per cent.

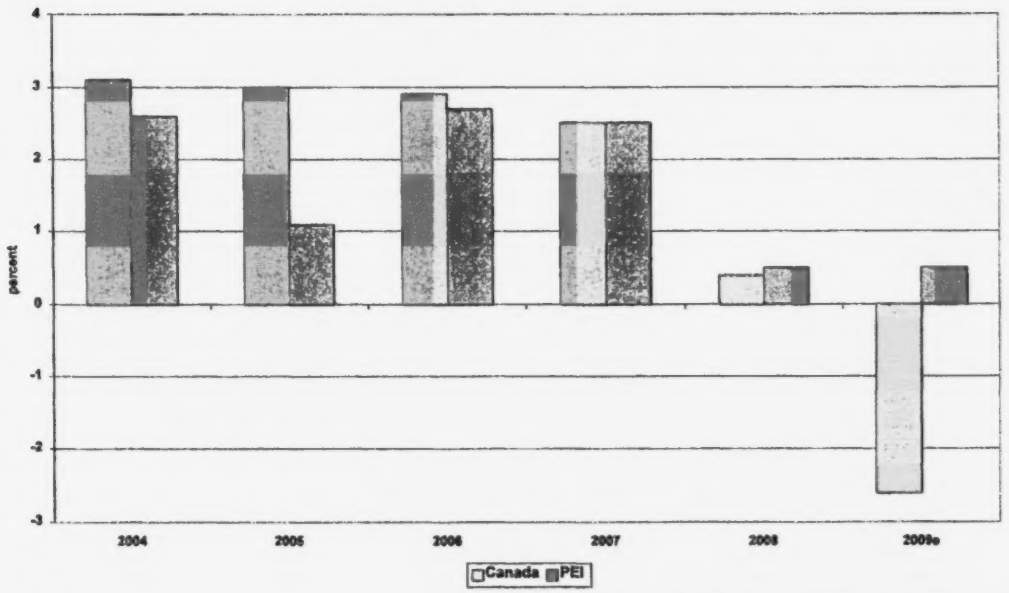
Highlights of the Provincial Economy

- Growth in the provincial economy is projected at 0.5 per cent for 2009, comparable to the rate of growth in 2008
- The number of jobs in the Prince Edward Island wage economy rose 2.8 per cent in 2009.
- Employment averaged 69,500 in 2009, a decrease of 1.0 per cent from the same period in 2008
- Total labour income grew 4.4 per cent in 2009, the fastest growth in the country.
- Non-residential construction increased 38.0 per cent in 2009.
- Prince Edward Island was the only province in Canada to post an increase in housing starts in 2009. Housing starts totalled 877 units, an increase of 23 per cent over 2008.
- Farm cash receipts for the first three quarters of 2009 totalled $297,624 million, an increased 6.8 per cent over the same period in 2008.
- Manufacturing shipments from PEI have declined 3.8 per cent in 2009, while international exports have declined 2.0 per cent, both as a result of low fish prices, especially lobster.
- Consumer prices decreased 0.2 per cent in 2009. A decrease in the price of petroleum products contributed to this result.
- As of July 1, 2009, Prince Edward Island's population is estimated to be 140,985. This represents a yearly increase of 1,534 persons, or 1.1 per cent growth since July 1, 2008.

Provincial Economy

Despite the economic conditions of the past year, the Prince Edward Island economy has shown some resiliency. Though somewhat protected from the worst of the recession by the type of industry located on the Island, difficulties did become apparent towards the end of 2009, particularly in the food processing sector. The Island economy is expected to have expanded in 2009 - approximately 0.5 per cent - with a similar performance to 2008. This compares with a 2.6 per cent decline in real GDP nationally.

Real GDP Growth Canada and PEI 2004-2009e

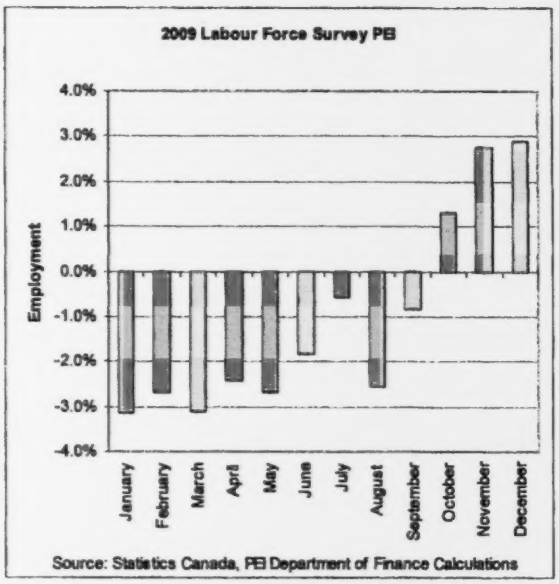


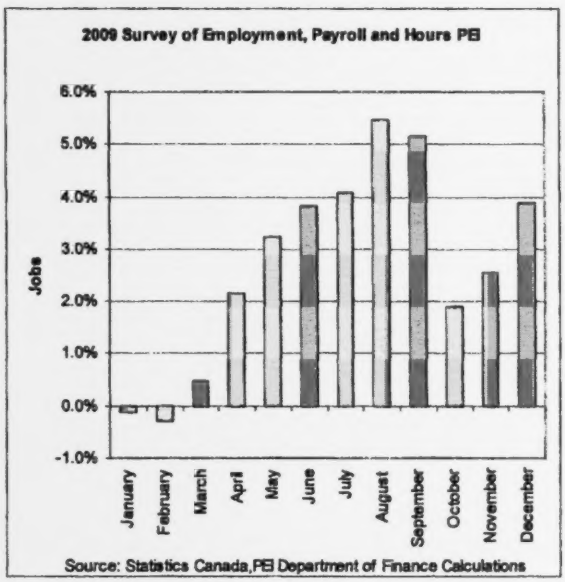
Source: Statistics Canada, PEI Department of Finance

Employment and Jobs

According to the Labour Force Survey (LFS), employment on Prince Edward Island averaged 69,500 people in 2009, a 1.0 per cent decline from 2008. The unemployment rate over this time period averaged 12.0 per cent, an increase of 1.2 percentage points over 2008. The survey showed that this decline occurred largely during the first half of the year. Employment losses occurred in both the goods, and service producing industries, with notable examples being transport and warehousing, other primary industries and manufacturing. Notable employment gains occurred in agriculture, construction and public administration. Due to a strong recovery in the employment figures in the last quarter of the year, Prince Edward Island recovered all of the jobs lost during the recession, with December's LFS data indicating there were 71,200 people employed on the Island, identical to the pre-recession peak which occurred in March 2008.

The number of jobs in the wage sector continues to expand on Prince Edward Island. According to the Survey of Employment, Payroll and Hours (SEPH), jobs in the wage sector totalled 63,869, an increased of 2.8 per cent over 2008 levels, and an all-time high. Gains were recorded in both the goods and service producing sectors, with gains of 8.1 per cent and 1.2 per cent respectively.





The LFS and the SEPH were largely divergent through the first three quarters of 2009. This divergence has corrected itself through the last quarter of 2009, with both the labour force survey, and SEPH showing strong employment gains.

Prince Edward Island led the nation in the growth in total labour income in 2009, at 4.4 per cent. This growth was due to increases in both the number of jobs and higher wages. Nationally total labour income increased 0.1 per cent.

Consumer Prices

A 16.1 per cent decline in the price of energy products has resulted in a 0.2 per cent decline in the level of consumer princes on the Island in 2009. Shelter costs have declined 4.0 per cent, while the price of food rose 5.5 per cent in 2009. Nationally, the all-items consumer price index advanced 0.3 per cent.

Retail Sales and Motor Vehicle Sales

The value of seasonally adjusted retail sales fell 0.2 per cent in 2009. This is largely a result of lower prices for petroleum products that persisted through most of the year. Nationally, retail sales declined 3.0 per cent in 2009.

The value of new motor vehicles sold on Prince Edward Island increased 5.9 per cent in 2009, while the volume of vehicles sold declined 3.9 per cent over the same time-period. Nationally, the value of new motor vehicles sold declined 8.6 per cent, while the number of vehicles declined 11.2 per cent.

Construction and Housing

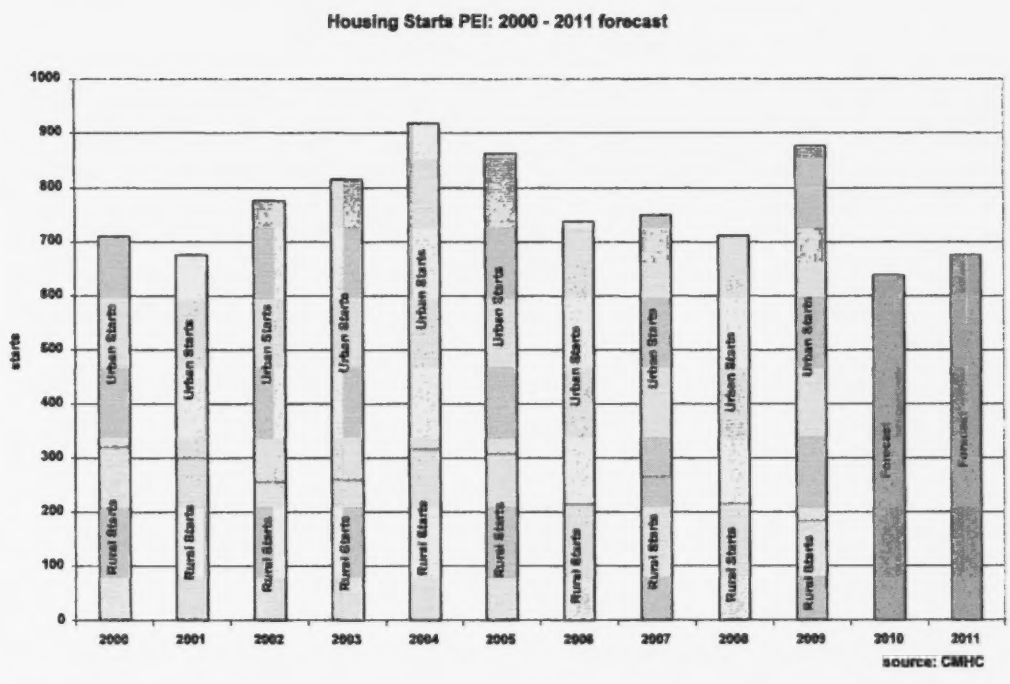
Construction had a positive year on Prince Edward Island, with large gains occurring in both the residential and non-residential sectors. Government-led stimulus spending was the main contributor to the gains in non-residential construction, while construction of multi-unit housing structures was the main driver of growth in the residential sector.

Non-residential investment grew 38.0 per cent in 2009. All sectors of non-residential investment contributed to this increase, with industrial investment up 17.8 per cent, commercial investment up 38.4 per cent, and government and institutional investment up 53.8 per cent.

Residential investment increased 5.9 per cent in 2009, largely due to increased investment in row houses, apartments and conversions. These segments increased 205.1 per cent, 194.8 per cent and 124.6 per cent respectively. Investment in singles and doubles declined in 2009, falling 12 per cent and 23 per cent respectively. Renovations also increased 3.8 per cent in 2009, likely as a result of the uptake of the home renovation tax credit, and investments in social housing.

Prince Edward Island was the only province in Canada to post an increase in housing starts in 2009. According to the Canada Mortgage and Housing Corporation (CMHC), housing starts totalled 877 units, an increase of 23 per cent over 2008. Growth in housing was driven by an increase in multiples construction in and around the Charlottetown area; there was a decline in the construction of single family homes over this time period. Though demographic shifts on the Island, including an aging population and an influx of immigrants provide some demand side to this construction increase, supply-side issues, such as favourable financing conditions also played a role. Consequently, the vacancy rate in the Charlottetown area is expected to rise for the next several years as this new stock is absorbed.

The point forecast provided by CMHC indicates that there will be approximately 638 starts in 2010 and 675 starts in 2011, as there are fewer multiple-start projects projected for this time period. Historically, over the last ten years, there has been an average of 783 starts per year on Prince Edward Island.



Capital spending is expected to increase 3.6 per cent in 2010. Capital construction expenditures are expected to increase in 2010, largely as a result of increases in institutional spending by government. Machinery and equipment investments are expected to decrease 1.4 per cent over this time period.

Manufacturing and Exports

The value of manufacturing shipments declined 3.8 per cent in 2009. This is a result of a 14.0 per cent decline in the value of food products, reflecting the continued weakness in the seafood industry, and emerging problems for potato processing. In the absence of food processing, manufacturing shipments advanced 11.9 per cent, due to shipments of chemicals, and transportation equipment (largely composed of aerospace products), which grew 31.5 per cent and 14.1 per cent respectively.

International exports from Prince Edward Island declined 2.0 per cent in 2009. This decline was largely a result of a 32.4 per cent decline in the value of frozen seafood products. This industry struggled with low prices and lack of demand throughout 2009, especially for lobster products. Frozen food manufacturing, the province's largest export, advanced 7.6 per cent over 2008 levels. Though there was growth in this industry, it was not as high as anticipated, due to a lack of demand that materialized late in 2009. This lack of demand due to weak economic conditions is expected to persist into 2010, with producers indicating that substantially less raw product will be needed. This will likely have a negative impact on exports going forward. Exports related to the aerospace industry continued to advance despite the recession, with engine and turbine manufacturing advancing 18.1 per cent over 2008 levels. Nationally, exports declined 25.8 per cent over this time-period.

Primary Industries

Farm cash receipts through the first three quarters of 2009 totalled $297.6 million, an increased 6.8 per cent over the same period in 2008. This compares to a decrease of 4.2 per cent for Canada as a whole.

Total crop receipts totalled $181.7 million, an increased 11.1 per cent over this time period, led largely by a 14.9 per cent increase in potato receipts. These gains are unlikely to continue going forward due to increased pressure in the potato industry. Prices for fresh potatoes are approximately half of what growers were receiving in 2008. Growing conditions on the Island in 2009 resulted in a lower quality potato, while the United States and Europe both had excellent years in terms of both quality of product and size of harvest. This has led to disruptions in supply lines for Island producers. The appreciation of the Canadian dollar relative to the US dollar is also contributing negatively to this situation. Recently, both major potato processors have indicated that they plan to reduce both the number of contract growers and acres under contract for 2010.

Total livestock receipts increased 1.2 per cent. A 21.6 per cent increase in cattle receipts was able to counterbalance a 37.4 per cent decrease in hog receipts. The hog industry continues to face difficulties, as the remaining processing facility in the region has indicated it will be shutting down. Dairy receipts continue to advance, gaining 6.5 per cent over the same period in 2008.

PEI Farm Cash Receipts								
in '000s Year:	Total Crops	Potatoes	Total Livestock	Cattle	Hogs	Dairy	Direct Payments	Total Farm Receipts
2008:3	$54,986	$40,475	$30,033	$4,792	$4,567	$16,560	$2,409	$87,428
2008:4	$76,767	$64,623	$30,056	$4,865	$3,804	$17,238	$7,176	$113,999
2009:1	$76,032	$70,416	$31,760	$6,127	$2,684	$17,526	$16,205	$123,997
2009:2	$59,817	$54,565	$31,749	$7,054	$2,498	$18,197	$6,017	$97,583
2009:3	$45,858	$33,316	$27,298	$3,368	$2,619	$17,499	$2,888	$76,044
2008 YTD	$163,510	$137,800	$89,706	$13,613	$12,466	$49,995	$25,564	$278,780
2009 YTD	$181,707	$158,297	$90,807	$16,549	$7,801	$53,222	$25,110	$297,624
YTD 09/ YTD 08	11.1%	14.9%	1.2%	21.6%	-37.4%	6.5%	-1.8%	6.8%

Source: Statistics Canada

The fishing industry had a difficult year this year. Though lobster landings were up 4.7 per cent over 2008, and reached an all-time high, the price for lobster was down 25 per cent from 2008 levels. A stronger dollar, and continued economic weakness in key export markets contributed to this situation.

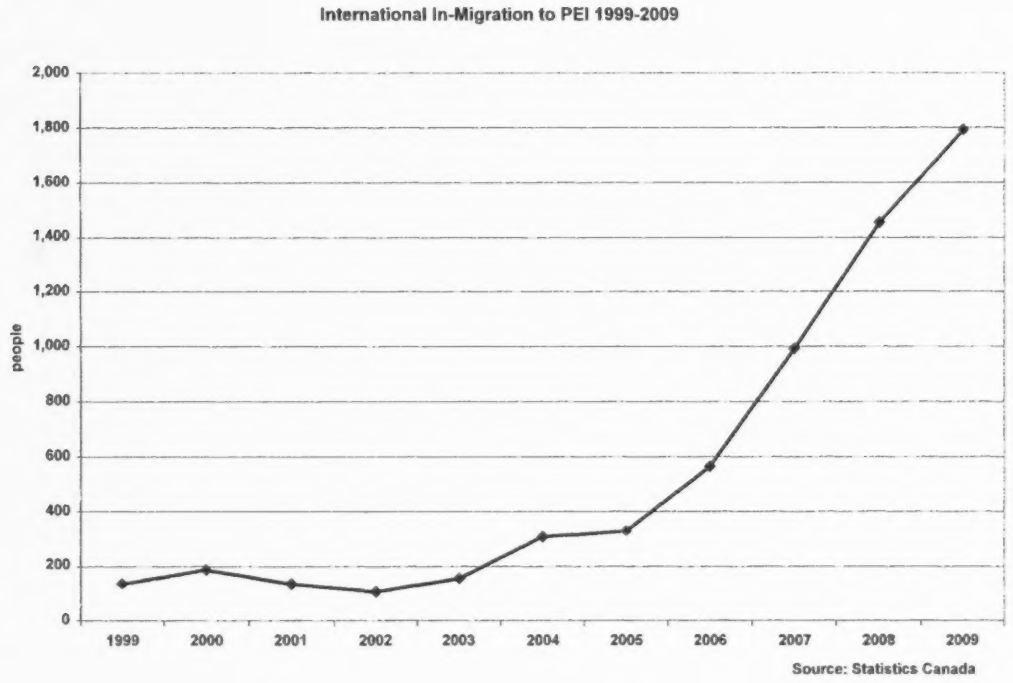
Tourism

The Canada Summer Games in August 2009, as well as a number of conventions, festivals and events including the inaugural Cavendish Beach Music Festival helped to support the tourism sector through a difficult year. Cruise ship traffic was also strong in 2009, with forty-one ships visiting the Island, bringing 63, 073 visitors. This is an increase of 10 per cent, and 14 per cent respectively over 2008 levels.

Prince Edward Island's tourism industry faced some challenges in 2009, due to the economic environment. The occupancy rate declined 0.6 per cent in 2009, while the number of room-nights sold declined 3.6 per cent. Bridge traffic was up 9.1 per cent in 2009, while both air and ferry traffic declined 1.2 per cent, and 3.0 per cent respectively. Camping was a bright note for the tourism industry in 2009, with the occupancy rate up 3.6 per cent, and sight-nights sold up 21.8 per cent. Of the visitors to the Island, 87.5 came from Canada, while 8.8 were from the United States, and 3.7 were international visitors.

Population

As of July 1, 2009, Prince Edward Island's population is estimated to be 140,985. This represents a yearly increase of 1,534 persons, or 1.1 per cent growth, since July 1, 2008. Prince Edward Island's rate of growth during this period was the highest in Atlantic Canada and just slightly below the national rate of 1.24 per cent. This was the highest rate of growth for Prince Edward Island since 1984. The majority of this growth can be attributed to record gains in international migration. During this period, 1,793 international immigrants came to the province, the highest level on the current record keeping system (since 1971). As recently as 2003, PEI was receiving less than 200 international in-migrants per year. There were 1,402 births and 1,250 deaths on Prince Edward Island from July 1, 2008 to June 30, 2009, resulting in natural growth (births minus deaths) of 152.



Outlook 2010

The economy of Prince Edward Island is expected to expand in 2010. This expansion will be fuelled by the continuation of both Federal and Provincial stimulus monies, which will largely contribute to non-residential construction projects. Employment is also expected to recover further in 2010, while immigration is once again expected to contribute positively to the economy. The Conference Board of Canada is projecting growth of 1.9 per cent for the Island in 2010, largely as a result of public stimulus. Strong private sector growth is expected to contribute to growth from 2011 onward.

Housing starts are expected to slow in 2010, after an exceptionally strong year in 2009, returning closer to their long term average. This is largely a result of fewer multi-residential structures planned for 2010. The survey of *Public and Private Investment Intentions* indicates that capital spending is expected to increase 6.3 per cent in 2010, largely as a result of increased public spending.

The tourism industry should be well supported by the cruise ship industry in 2010, with 44 ships slated to come to Charlottetown, carrying a projected 73,000 passengers. Repeat strong performances of other festivals should aid in that as well. Exports should see a return to growth in 2010, though this is largely dependent on an improvement in economic conditions in key markets for processed food exports.

The Canadian dollar has been trading increasingly close to, and at, parity with the US dollar, and is expected to trade at this level, or higher, for some time. This does provide some downside risk to the export sectors on the Island, and may erode some of the benefit of the resurgent economy, both nationally and internationally.

SUMMARY STATISTICS
PRINCE EDWARD ISLAND ECONOMY

	2002	2003	2004	2005	2006	2007	2008	2009
Population on 1 July (thousands) *	136.9	137.2	137.7	138.1	137.9	138.1	139.5	141.0
Personal Income per capita ($) *	23,832	24,231	25,979	25,917	27,168	28,278	28,899	n.a.
As % of Canadian Personal Income	*83.1*	*82.3*	*81.1*	*80.7*	*80.0*	*79.5*	*78.5*	*n.a.*
Employment (thousands) *	64.7	66.1	66.9	68.2	68.6	69.3	70.2	69.5
Unemployment rate - P.E.I. (%) *	12.0	11.0	11.3	10.8	11.0	10.3	10.8	12.0
*Unemployment Rate - Canada (%) **	*7.7*	*7.6*	*7.2*	*6.8*	*6.3*	*6.0*	*6.1*	*8.3*
CPI - annual change P.E.I. (%)	2.7	3.5	2.2	3.1	2.3	1.8	3.4	-0.2
CPI - annual change Canada (%)	*2.2*	*2.8*	*1.8*	*2.2*	*2.0*	*2.2*	*2.3*	*0.3*
Retail Trade ($ millions) *	1,369.0	1,382.6	1,384.7	1,423.9	1,512.2	1,628.9	1,720.6	1,715.3
New Motor Vehicle Sales (units)*	4,996	4,731	4,696	4,847	4,933	5,303	5,504	5,291
Farm Cash Receipts ($ millions) *	369.1	355.3	349.6	373.2	380.4	385.9	390.3	n.a.
Potato Receipts ($ millions) *	189.9	185.3	151.3	165.3	202.9	198.0	200.9	n.a.
Lobster Landings ($ millions) *	105.4	108.3	100.1	103.2	113.4	108.6	100.7	n.a.
Lobster Landings (lbs - millions)	*19.9*	*20.0*	*19.9*	*18.5*	*21.5*	*20.1*	*21.9*	*22.3*
Housing Starts (units)	775	814	919	862	738	750	712	877
Investment ($ millions)	639.1	677.0	723.6	758.8	827.3	949.8	944.5	887.3
Manufact. Shipments ($ millions)*	1,300.2	1,287.4	1,246.5	1,275.8	1,332.6	1,433.6	1,376.1	1,324.1
International Export of Goods ($ millions)*	683.0	637.6	644.4	772.8	786.6	767.1	848.6	833.0
GDP at basic prices ($ millions) *	3,701	3,798	3,983	4,096	4,249	4,490	4,624	4,652[f]
GDP - (%)	*7.9*	*2.6*	*4.9*	*2.8*	*3.7*	*5.7*	*3.0*	*0.6*

n.a.: data not available

Notes:
* : revised data
[e]: estimate
[f]: forecast, Conference Board of Canada
Sources: Statistics Canada; Conference Board of Canada;; and P.E.I. Department of Fisheries, Aquaculture and Rural Development